

Title:

Jurisdiction Over Contracts Involving Foreign Elements: Hasegawa and Nippon Engineering Consultants Co., Ltd. vs. Kitamura

Facts:

Kazuhiro Hasegawa, the general manager for the International Division of Nippon Engineering Consultants Co., Ltd. (a Japanese consultancy firm), and Nippon are the petitioners in this case against Minoru Kitamura, a Japanese national who became an independent contractor for Nippon in the Philippines. The dispute arose when Nippon hired Kitamura under an Independent Contractor Agreement on March 30, 1999, to work as a project manager for the Southern Tagalog Access Road (STAR) Project. This contract was set for one year. Before the completion of the STAR Project, Nippon engaged in another project, the Bongabon-Baler Road Improvement Project, with the Department of Public Works and Highways. Kitamura was informed by Hasegawa that his contract would not be renewed post the completion of the STAR Project. Displeased, Kitamura demanded to be assigned to the new project, which Nippon refused, leading him to file a civil case for specific performance and damages with the Regional Trial Court (RTC) of Lipa City.

Petitioners asserted that the Philippine courts lacked jurisdiction over the case, arguing that since the contract was made between two Japanese nationals, enacted in Japan, and written in Japanese, the Japanese courts held proper jurisdiction as per principles of *lex loci celebrationis* and *lex contractus*. The RTC denied the motion to dismiss based on jurisdiction grounds, reaffirmed on motion for reconsideration. This decision was elevated through two Petitions for Certiorari under Rule 65 to the Court of Appeals (CA), both ultimately denied — the first on procedural grounds and the second on merits, affirming the trial court's jurisdiction.

Issues:

1. Whether the RTC of Lipa City had jurisdiction to hear the civil case considering the foreign elements involved.
2. Whether principles of *lex loci celebrationis*, *lex contractus*, and *forum non conveniens* could invalidate the jurisdiction of Philippine courts in this scenario.
3. The procedural appropriateness of petitioners' use of a Petition for Certiorari to question the trial court's denial of their motion to dismiss.

Court's Decision:

The Supreme Court DISMISSED the petition for review on certiorari, holding:

1. Jurisdiction: The RTC rightfully exercised jurisdiction over the case, as jurisdiction is determined by law. The complaint's nature, not capable of pecuniary estimation, falls under the RTC's jurisdiction.
2. Choice of Law: The Court clarified that the invoked principles pertain to the choice of law, not jurisdiction. It was premature to argue choice-of-law rules without establishing a conflict between Japanese and Philippine laws. Additionally, proving and pleading the existence and applicability of foreign law rest on the party invoking it.
3. Use of Certiorari: The Court found that petitioners' use of a Rule 65 Petition for Certiorari to question the order denying their motion to dismiss was incorrect. An order denying a motion to dismiss is interlocutory, and certiorari is not the proper recourse except under exceptional circumstances, which were found absent in this case.

Doctrine:

The case reiterates the principle that jurisdiction over the subject matter is conferred solely by law. Furthermore, it distinguishes between jurisdiction and choice of law in international legal disputes, emphasizing that the two are distinct concepts and highlighting the procedural steps in dealing with conflicts of law — jurisdiction, choice of law, and recognition and enforcement of judgments.

Class Notes:

- Subject matter jurisdiction: Is determined by the allegations of the complaint and the law, independent of the parties' nationality or the contract's place of formation.
- Principles of *lex loci celebrationis*, *lex contractus*: These refer to choice-of-law considerations and not to jurisdiction. A real conflict between laws must be shown for their invocation.
- *Forum non conveniens*: Is not a basis for dismissing a case for lack of jurisdiction under the Philippine judicial system. Its application depends on specific circumstances and is at the court's discretion.
- Rule 65 Petition for Certiorari: Is not the correct recourse against an order denying a motion to dismiss, except under certain exceptional circumstances.

Historical Background:

The case insightfully illustrates the Philippine legal system's approach to international disputes involving foreign elements, particularly concerning jurisdiction and the application of foreign law. It underscores the autonomy of Philippine courts in deciding cases within their jurisdiction, irrespective of the parties' nationality or where the contract was executed, reinforcing the principle of sovereign judicial authority.